

## Audit Committee

### Public minutes of the 47<sup>th</sup> meeting of the Audit Committee held on:-

**Date:** Thursday 9 October 2014

**Time:** 10:30 am

**Venue:** The Council Chamber, Health and Care Professions Council, Park House,  
184 Kennington Park Road, London SE11 4BU

**Present:** Richard Kennett (Chair)  
Julie Parker  
Keith Ross

### In attendance:

Claire Amor, Secretary to the Committee  
Kayleigh Birtwistle, Quality Compliance Auditor  
Graeme Clark, Mazars LLP  
Roy Dunn, Head of Business Process Improvement  
Sarah Edwards, National Audit Office  
Guy Gaskins, Director of Information Technology  
Andy Gillies, Director of Finance  
Kelly Holder, Director of Fitness to Practise  
Jaqueline Ladds, Director of Communications  
Greg Ross-Sampson, Director of Operations  
Marc Seale, Chief Executive and Registrar  
James Sherrett, Mazars LLP  
Anna van der Gaag, Council Chair

## **Item 1. Chair's welcome and introduction**

- 1.1 The Chair welcomed members to the 47<sup>th</sup> meeting of the Audit Committee. The Chair welcomed Julie Parker to her first meeting as the independent member of the Audit Committee.

## **Item 2. Apologies for absence**

- 2.1 There were no apologies for absence.

## **Item 3. Approval of agenda**

- 3.1 The Committee approved the agenda.

## **Item 4. Declarations of members' interests**

- 4.1 Keith Ross declared an interest since his wife is a member of the PSA.

## **Item 5. Minutes of the Audit Committee meeting of 24 June 2014 (report ref: AUD 36/14)**

- 5.1 It was agreed that the public minutes of the 46<sup>th</sup> meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

## **Item 6. Matters arising (report ref: AUD 37/14)**

- 6.1 The Committee received a paper to note from the Executive.
- 6.2 The Committee noted the actions list as agreed at the last meeting.

## **Item 7. Business Process Improvement report (report ref: AUD 38/14)**

- 7.1 The Committee received a report summarising business process improvement work.
- 7.2 The Committee noted the following points:-
- four NMRs have been closed since July 2014. Three new NMRs have been opened since July, one has already been closed;
  - amendments to the customer complaint handling process have been approved;
  - the next BSI Audit is scheduled for 4 November 2014 and will cover Education, Registrations CPD, Purchasing & Supplier evaluation, Secretariat and Staff Development and Training; and

- an externally hosted Business Continuity System has been identified and is currently being evaluated against the HCPC's requirements.

7.3 The Committee discussed the assurance map as included in the risk register paper on the meeting agenda. It was agreed that the map was a positive first step, but that the Committee could benefit from training on assurance mapping. It was agreed that this would be covered at the National Audit Office led training session following the Committee's meeting on 19 March 2015.

7.4 The Committee noted the report.

#### **Item 8. Proposed changes to Financial Regulations (report ref: AUD 39/14)**

8.1 The Committee received a paper from the Executive, containing proposed changes to the Financial Regulations and the Scheme of Delegation.

8.2 The Committee noted the following points:-

- proposed changes to the Financial Regulations include increasing the Chief Executive's limit for sole authorization of expenditure, increasing Directors' authorization of expenditure thresholds and simplifying the rules for approval of travel and subsistence claims;
- the rationale for increasing the authorization limits is that they have not kept pace with inflation and the growth of HCPC's budget;
- replacing detailed rules about procurement with a cross reference to the Procurement Policy will decouple the two policies;
- limits in the Scheme of Delegation have been increased to align with the proposed new limit in the Financial Regulations; and
- the proposed changes to the Financial Regulations and the Scheme of Delegation have been reviewed by the solicitor to the Council.

8.3 The Committee noted that previously the Finance and Resources Committee considered changes to the Financial Regulations and the Scheme of Delegation. The National Audit Office provided assurance that it was appropriate for the Audit Committee to now consider these.

8.4 The Committee discussed the proposed self-certification for Directors' travel claims below a set threshold. The Committee agreed that any such claims had to be subject to sample checking and audit and that this should be made explicit in the regulations.

- 8.5 The Committee noted that the powers that are explicitly reserved to the Council (Scheme of Delegation section 4) and those are explicitly delegated to a Committee or the Chief Executive or a Director (sections 5 to 10) are not exhaustive. There are some powers in particular the approval of expenditure and contracts over the authority limit of the Chief Executive which are in practice undertaken by the Chair on behalf of the Council. It was agreed that legal advice should be sought on the appropriate wording in the Scheme of Delegation and the Financial Regulations to cover these instances.
- 8.6 The Committee discussed the intention and effect of Regulation 27, including whether this regulation adequately covered electronic approval of payments via on line banking. The Committee queried whether changes in signatories made on the authority of the Chair should subsequently be ratified by the Council. The Committee also queried whether changes to bank mandates or other actions undertaken by delegated authority should be summarised in an annual report to the Council.
- 8.7 The Committee agreed the following amendments to the Financial Regulations and the Scheme of Delegation:-
- Regulation 5 - the phrase 'The Council exercises financial supervision and control by formulating the annual budget and the five year plan' required rewording;
  - Regulation 49 - the word 'development' was not correct and required revision; and
  - the proposed changes to purchase order and invoice authorisation limits required explanation that full approval of Purchase Orders requires the approval of all the approvers in the chain up to the relevant limit, not just the sole approval of the final approver at the top of the chain.
- 8.6 The Committee agreed to recommend the revised Financial Regulations and the Scheme of Delegation to Council for approval, subject to the queries and amendments outlined in paragraphs 8.4 to 8.7

**Item 9. National Audit Office Audit planning report 2014-15 (report ref: AUD 40/14)**

- 9.1 The Committee received a paper for discussion/approval from the Executive
- 9.2 The Committee noted that the National Audit Office (NAO) external audit strategy for 2014-15 identified the following risks and an audit response for each risk:

- further plans for 186 Kennington Park Road;
- upgrade to HCPC's accounting system;
- receiving Department of Health grant-in-aid;
- new income model; and
- registration processes review.

- 9.3 The Committee noted that recent changes to the FReM would impact on the content of the Annual Report and Accounts Strategic and Directors' report.
- 9.4 The Committee noted that the proposed audit fee would be £39,000, which is no increase from 2013-14. It was noted that the NAO planned to conduct shorter more regular audit visits. The Committee agreed with this approach.
- 9.5 The Committee approved the external audit strategy for 2014-15.

**Item 10. Internal audit report: ICT disaster recovery (report ref: AUD 41/14)**

- 10.1 The Committee received a paper for discussion from the Executive
- 10.2 The Committee noted that Mazars have undertaken a review of the HCPC's arrangements for Disaster Recovery processes in relation to the NetRegulate system. The audit was included in the annual plan due to the number of risks identified in HCPC's Risk Register relating to Disaster Recovery and the importance of the NetRegulate system to the HCPC's core business.
- 10.3 The Committee noted that during the audit it was discovered that the live replication of the NetRegulate database from the main site at HCPC to the standby site at Rackspace had not worked for a period of around 5 days. Since this discovery the live replication has been operational.
- 10.4 The Committee noted that the IT Department are working to create a mechanism for effective alerting from the synchronisation software and that the technical implementation is now undergoing testing. The required change is expected to be implemented by December 2014.
- 10.5 The Committee noted that the audit obtained substantial assurance.
- 10.6 The Committee noted the report.

**Item 11. Internal audit progress report (report ref: AUD 42/14)**

- 11.1 The Committee received a paper for discussion from the Internal Auditor.
- 11.2 The Committee noted that Mazars have completed the fieldwork for the audits of HR Performance Management and Partners and draft reports shall be issued shortly. The fieldwork for the audit of Facilities Management was deferred due to resource availability but a revised start date has now been agreed.
- 11.3 The Committee noted the paper.

**Item 12. Internal audit follow up report (report ref: AUD 43/14)**

- 12.1 The Committee received a paper for discussion from the Internal Auditor
- 12.2 The Committee noted that Mazars had undertaken a follow-up of previous recommendations from internal audit reports, in accordance with the internal audit plan agreed by the Committee in March 2014.
- 12.3 The Committee discussed the recommendations around the procurement function. It was noted that the Procurement Manager had left the HCPC and that the documentation of procedures for procurement will be taken forward by the Interim Procurement Manager. It was expected that this recommendation would be cleared by the end of the current financial year.
- 12.4 The Committee noted that the travel supplier retender is expected to take place at the end of the current financial year and that the Executive is currently working on the framework contract.
- 12.5 The Committee agreed that the report would benefit from a summary of the Internal Auditor's opinion on the progress made on recommendations.
- 12.6 The Committee noted the paper.

**Item 13. Internal audit review of recommendations (report ref: AUD 44/14)**

- 13.1 The Committee received a paper for discussion from the Executive.
- 13.2 The Committee noted that the copies of the relevant certificates in relation to the servicing of fire extinguishers have now been received and are currently being reviewed. An update will be provided at the next meeting of the Committee.
- 13.3 The Committee discussed the BSI recommendations. It was noted that these were inaccurate and should have been fed back to BSI as such. No action is required in relation to the recommendations.

13.4 The Committee noted the report.

**Item 14. Risk Register including risk presentations (report ref: AUD 45/14)**

14.1 The Committee received a paper for discussion from the Executive.

14.2 The Committee received a presentation on the risks owned by the Chief Executive. The Committee noted the following:-

- the likelihood score of risk 15.23 'PSA full cost recovery model places excessive pressure on HCPC finances' has increased from 3 to 5. This is because a per head cost model has been proposed as the only option in a recently issued consultation document;
- this model would place a large burden on the HCPC's finances and may require cost savings and a registration fee increase which would require a legislation change. Internal scenario planning is underway;
- risk 1.2 'Unexpected change in UK legislation' is mitigated by developing effective working relationships with the Department of Health;
- risk 1.5 'loss of reputation' in light of recent high profile fitness to practise cases is mitigated by proactively monitoring news items and investigating concerns to ensure the HCPC remains informed and visible; and
- new risk 1.7 'Failure to maintain HCPC culture' has been assigned to the Chief Executive as the overall owner, but it is the responsibility of all HCPC employees.

14.3 The Committee received a presentation on the risks owned by the Chair of Council. The Committee noted the following:-

- risk 4.1 'Council inability to make decisions' and risk 4.3 'Poor decision-making' are mitigated by well researched and drafted decision papers at meeting. The HCPC regularly commissions research and takes an evidence based approach to decision making; and
- risk 4.5 'Members' poor performance' is mitigated by annual appraisal reviews and regular 'one to ones' with the Chair. The Chair is always available to Council members and the stability of the Council as a group is focused on at induction and strategy days.

14.4 The Committee received a presentation on the risks owned by the Director of Fitness to Practise. The Committee noted the following:-

- risks 13.1 'legal cost over-runs' and 13.4 'Rapid increase in the number of allegations and resultant legal costs' are linked and are mitigated by accurate forecasting and service agreements. A piece of work is currently underway which will look at the costs of FTP proceedings and what factors influence this. This will enable more accurate forecasting;
- decision review groups, operational guidance and practise notes help with the management of hearings to mitigate unexpected costs; and
- risk 13.8 'backlog of FTP cases' includes the risk of excessive length of time of cases. The Committee agreed that at the next iteration of the risk register, this risk should be nuanced to make this inclusion more apparent.

14.5 The Committee received a presentation on the risks owned by the Director of Communications. The Committee noted the following:-

- risk 3.1 Failure to inform the public Article 3(13) and 3.4 'Failure to inform Registrants Article 3 (13)' directly reference the HCPC's legislation. Mitigations include the communications strategy, public information campaigns and work with professional bodies. The Communications Department is currently closely involved with social worker renewals; and
- risk 3.5 'Publication of material not approved for release' is new and has been added as more processes have been formalised in the quality management system. Mitigations include adherence to operational plans for example the Social Media planner. A Social Media Strategy is being developed which will look at risks in this area.

14.6 The Committee noted the paper.

### **Item 15. Any other business**

15.1 There was no further public business.

### **Item 16. Date & time of next meeting:**

16.1 Friday 14 November 2014 9.30am.

### **Resolution**

The Committee agreed to adopt the following resolution:



'The Committee hereby resolves that the remainder of the meeting shall be held in private, because the matters being discussed relate to one or more of the following;

- (a) information relating to a registrant, former registrant or applicant for registration;
- (b) information relating to an employee or officer holder, former employee or applicant for any post or office;
- (c) the terms of, or expenditure under, a tender or contract for the purchase or supply of goods or services or the acquisition or disposal of property;
- (d) negotiations or consultation concerning labour relations between the Council and its employees;
- (e) any issue relating to legal proceedings which are being contemplated or instituted by or against the Committee or the Council;
- (f) action being taken to prevent or detect crime or to prosecute offenders;
- (g) the source of information given to the Committee in confidence; or
- (h) any other matter which, in the opinion of the Chair, is confidential or the public disclosure of which would prejudice the effective discharge of the Committee's or Council's functions.'

Item	Reason for Exclusion
17	H
18	H
19	C

#### **Summary of those matters considered whilst the public were excluded**

##### **Item 17. Registration Process and Systems Review Project Risk Register (report ref: AUD 46/14)**

The Committee discussed the risk register associated with the Registration Process and Systems Review Project

##### **Item 18. Internal penetration testing highlight report (report ref: AUD 47/14)**

The Committee discussed the results of a recent internal penetration test.

##### **Item 19. Process for the retendering of the internal audit function (report ref: AUD 48/14)**

The Committee discussed the upcoming retender exercise for the HCPC's internal auditor. The Committee approved the invitation to tender document and agreed to meet on the 14 November 2014 to consider the presentations of the shortlisted bidders.

##### **Item 20. Any other business**

There was no other business.

**Chair  
Date**